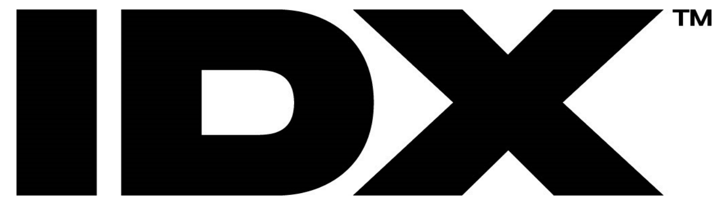

Prudential Full Year 2024 Results - Live Q&A

Thursday, 20th March 2025

Introduction

Patrick Bowes

Chief of Investor Relations, Prudential

Welcome

Good afternoon, and good morning. It is Patrick Bowes speaking. Welcome to Prudential's 2024 Results Analyst and Investor Call. Before I turn the call over to Anil, our CEO, and Ben, our CFO, a couple of housekeeping points.

A recording of the call will be available from Tuesday next week. As usual, our full results package is available on our website. Anil and Ben will start the call with some opening remarks before we then go to Q&A.

As you will understand, we are under restrictions as to what we can say about the evaluation of the potential listing of ICICI Prudential Asset Management Company. Please bear with us until we can update you with more information. Please note that we are also holding an additional meeting for sell-side analysts next week. This will be an ideal opportunity to raise further technical questions you may have, for example, on TEV.

Today, we also have the leadership team responsible for our businesses with us, namely Angel, Dennis, Solmaz and Bill. We would encourage you to focus on business questions for this call.

With that, let me pass over to Anil, our CEO, to start us off. Anil?

Overview

Anil Wadhwani

CEO, Prudential

Welcome

Thank you, Patrick. Good morning, good afternoon, and good evening, everyone. Thank you for joining us today. I am delighted to present our full-year 2024 results and provide an update, as promised, 18 months into the execution of our current strategy.

Key messages

2024 was a year of good progress. New business profit grew 11%, in line with our 2024 guidance to $3.1 billion. We generated $2.6 billion of gross operating free surplus generation as expected. Adjusted operating profit after tax was up 8% per share.

We are laser-focused and driving consistent growth by:

- Writing quality new business;
- More effectively managing our in-force book; and
- Improving our variances.

We have continued our focus of building and transforming Prudential to realise its full potential. Our strategy is being executed swiftly and effectively, with an unwavering commitment to driving long-term, sustainable value for all our stakeholders.

Since announcing our strategy in 2023, we have substantially reset our focus on the three pillars of:

- Customer;
- Distribution; and
- Health.

We have been building and modernising our capabilities through targeted investments, including digitising and harmonising our core operations and infrastructure. We are focused on building momentum in our Agency channel across our markets by prioritising quality recruitment and through improving agent activation and tech-enabled productivity. We are already seeing benefits with 4,000 more agents activated in the second half of 2024.

In Health, we are making significant progress, and I am pleased to announce today our plan to establish a joint venture in India with the HCL Group promoters' family office vehicle, Vama Sundari Investments. Pending receipt of the requisite regulatory approvals, we will build a stand-alone Indian health insurance business on an organic basis. The outlays are expected to be modest and fully included in our existing capital management plans. Together with this partner, we will seek to address the growing healthcare needs of the Indian consumer.

Our investments in capability are transforming our ways of working across all aspects of our business, and I am pleased with the results that they are delivering. We believe during 2025 and into 2026, we will further evolve our capabilities to a level that will position us strongly for accelerated growth.

The long-term growth trends inherent in our Asian and African markets are reasserting themselves, creating significant opportunities for us as an integrated life and asset manager. There is continued and growing demand for long-term savings and protection products across all our markets, while customer needs for wealth management and retirement planning are evolving, particularly in our higher income Asian markets.

We are very disciplined in our capital allocation decisions, and through applying our capital management framework, we are delivering accelerated returns to our shareholders. We are demonstrating this in several ways.

First, we have increased dividends per share, which is up 13%. Secondly, we launched a $2 billion share buyback programme in June last year, which represented 8% of our outstanding stock. We have now brought forward the expected completion date of our programme to the end of 2025, well ahead of our original mid-2026 schedule.

We are confident that 2025 is going to be the inflection point for growth in our free surplus. Our pro forma free surplus ratio is just about the upper end of the guided range. We intend to update you on our capital management plans at our half yearly results in August. Value creation and total shareholder returns are key imperatives for the management team and an ongoing area of focus for us.

Thirdly, in February this year, we announced that we were evaluating a potential listing of our Indian asset management company involving the partial divestment of its shares, subject to market conditions, requisite approvals and other considerations. It is intended that following the completion of such a divestment, the net proceeds would be returned to our shareholders.

We are relentlessly executing our strategy, seizing structural growth opportunities across our markets and investing to accelerate our value creation. We have made significant progress so far and am excited about how much more we can achieve.

I will pass you to Ben now, our CFO, to cover the financial highlights. Ben?

Financial Review

Ben Bulmer

CFO, Prudential

Key highlights

Thank you, Anil, and hello, everyone. I wanted to briefly highlight just three things.

Firstly, we have today provided guidance for 2025. We expect to deliver growth in:

- New business profit;
- Operating earnings per share;
- Gross operating free surplus generation; and
- Dividends per share in excess of 10% this year.

Since 2022, we have grown NBP 21% compound on a TEV basis. Our stock of future earnings, the contractual service margin has grown at the upper end of our guidance at 9%. Eastspring's profit growth has been double-digit with accelerating net flows. We are focused on controlling central costs, giving confidence that growth in operating profit per share will be in excess of 10%.

That stacking of successive cohorts of quality new business and our ongoing actions to improve cash generation and reduced operating variances have led to an inflection in our operating free surplus generation. You can see in my slides that the release from the Life in-force block, the largest component of this metric, is expected to be up 13% in 2025, accelerating growth in free cash flows.

Our dividend policy is unchanged, so growth in dividend will follow growth in net operating free surplus generation. Of course we plan to continue with a scrip dividend option on the Hong Kong line as before.

Secondly, we have confidence in our gross operating free surplus generation accelerating towards our 2027 objective. The building blocks to this are set out in my presentation. They also demonstrate that by simply repeating 2024 levels of business for the next three years and returning to neutral variances, allowing for the completion of the investment in capabilities programme, we would deliver just under $4 billion in 2027.

Clearly, however, we expect to add to that number through growth in new business and assets under management and improving cash flows returning to positive operating variances by focusing on cost containment and disciplined repricing. I think the actions taken in 2024 demonstrate our ability to attain the 2027 objective.

Finally, as promised, we shift to the traditional embedded value basis for embedded value reporting from our 1Q business update. Today, we provided you with extensive TEV disclosures to help you with this. TEV margins in 2025 are expected to be broadly stable on

2024, but over time we see scope for progress, supporting further improvements in return on operating embedded value.

Just to remind you, there is no change to our NBP growth rate objective to 2027, nor our gross OFSG objective of at least $4.4 billion.

With that, I will pass back to you, Patrick, to open the Q&A.

Q&A

Michael Chang (CGS International Securities): I have got two questions. The result looks quite solid. Thanks for the chance to ask. First question relates to the high confidence you had in the inflection point of the OFSG and the implications that has for dividends. I think that was slide 51 of the presentation pack. Can you just elaborate a bit on the fairly exponential growth in terms of the OFSG in terms of the inflection point, and what gives you that confidence? Because essentially I think that equates to a 19% CAGR from 2024 level all the way up to 2027, and hence the implications that has for dividend. Because 2025, you got more than 10% growth rate for DPS. It does look like if this is indeed an inflection point, then that DPS growth can only accelerate from here, say, maybe to even 15% or 20% guidance by the time we hit 2027. That is the first one.

The second one just relates to page 17 of the results of the financial statements, whereby there was talk about the effective tax rates in FY2024 for 17%. In 2025, I think Hong Kong, which is the largest region for Prudential, is implementing global minimum tax or the BEPS 2.0. Can you maybe elaborate on what kind of impact that could have? How should investors think about the impact on that for OPAT as well as new business profits?

Anil Wadhwani: Let me start, Michael, and thanks for those two questions. I will pass to Ben to provide you some additional colour both on OFSG and the tax question. I just wanted to just step back and talk a little bit about where we are in our journey.

2023, as you reckon was a year of big reset for us once the COVID measures abated. 2024 is when we started to press our transformation forward. I believe that as we go through 2025, we will see a level of maturity in our transformation programme that is going to cause the acceleration as we go through 2025 into 2026. I meant both for our new business profit, but equally importantly for our free surplus generation. I am going to stop there and hand it over to Ben for his comments.

Ben Bulmer: Yeah. Thanks, Anil. Hi, Michael. Let us take the OFSG question first, if I may. You are right, slide 51 sets out our path to our 2027 gross OFSG objective. 2025 we have always said is the year of inflection. You will have seen we are guiding you to double-digit growth. That is based on business already on our books at the end of 2024. In fact, the earlier slide, Michael, slide 50 shows the expected transfer up 13% of $2.7 billion. We have a long history of actuals being in line with the expected transfer.

The confidence in the acceleration of growth rates is essentially down to the shape of the stacking in new business, Michael, that is set out in slide 51 in the red box there. You will have no doubt noticed in 2024, whilst new business profits grew 11%, the contribution to expected 2027 OFSG grew 36% year-on-year, and that was as a result of the repricing I

flagged at the interims. In short, the cash signature on our new business cohorts is much improved.

In addition to that, later in the deck you will have seen that our operating variances, whilst negative setting aside the investment in capabilities have halved year-on-year as we continue to focus on cost containment and medical claims.

As I mentioned in my opening comments, if you look at the building blocks on the slide, you can see that if we simply repeat 2024 levels of business over the next three years and return to neutral variances, we will deliver just under $4 billion of OFSG in 2027. Clearly, that is not our aim. We guided you to new business profits growth of in excess of 10% this year. We will continue to focus on growing our assets under management.

We remain focused on repricing. I have some repricing tailwinds that are yet to come through these numbers. We will focus on cost containment and repricing. Look, I am very confident in attaining the 2027 OFSG objective.

Your point on dividend. I set out in my slides the transition of that OFSG to holding company cash flow through a payout [editor: remittance] ratio of 70%. The dividend policy is essentially that dividends will grow broadly in line with the net Group operating free surplus generation. Ultimately, clearly it is for the Board to determine the dividend. But I would encourage you to consider our capital and cash trajectory in the context of the capital management framework we set out and our aim to build long-term shareholder value. I think our actions last year demonstrate this in terms of total returns.

Your second comment or question rather was on, I think, effective tax rates. The effective tax rate of 17% in full year 2024 is pretty much in line with my long-term expectations. We had a lower effective tax rate in 2023 because we were able to reflect a deferred tax asset on some UK tax losses.

In terms of BEPS or OECD minimum tax rates, I am not expecting a material impact on our effective tax rates. The rules are quite complex. But if investment returns are in line with assumptions, then not expecting any material changes on that 17% as a go forward number.

Patrick Bowes: Just to clarify, it was a remittance ratio rather than a payout ratio.

Ben Bulmer: Sorry. Yes, a remittance ratio.

Patrick Bowes: Remittance from the business unit up to the holding company.

Kailesh Mistry (HSBC): I have got three questions. The first one is on the new business margin. I appreciate Ben mentioned a stable margin in 2025, but just looking out over the plan period, is it possible to get into the mid-50s like one of your peers? If so, what are the main markets and actions that will help deliver this improvement?

Also on the margin, it looks like there is some seasonality in the quarterly progression in 2024. What is driving this? Is it specific markets, and should we view these as fairly typical of how businesses will evolve going forwards?

The second question is back to slide 51 and 50. Just wanting to understand what is the breakup of the $299 million operating variance by the major components? I do not know, expense, persistency, lapse, that sort of thing.

I appreciate you are confident that this turns positive in 2027. But linking this to slide 11, what are the economics from an earnings and a cash perspective of increasing the customer retention rate from 87% to 90% to 95%, as you say on that slide.

The third question is very quickly on India, the Health business. How much are you investing for your 70% stake? Have you committed to investing more down the line? Does this come from the $1 billion investment budget which includes Health? If you would just talk a little bit about the vision for that business, the products and services you plan to offer, and if there are any synergies that you can extract by cross-selling from your existing JVs.

Anil Wadhwani: Thanks, Kailesh. Thanks for those three questions. Let me start with your first question on the drivers of new business profit margin. I see two specific opportunities for us. One is the growth in Health and Protection mix. Again, if you look at our 2024 results our new business health mix improved by 1 percentage point both on sales and on new business profit. That is something that is an ongoing area of focus, specifically as we build greater capabilities and expertise on our Health business, as well as train our agents to drive a greater mix of Protection business.

The second is Agency. Agency is absolutely the primary focus for us. If you look at the progress that we have made on Agency in the second half of last year, we had a jump of 4,000 active agents in second half versus first half. Again, on account of the number of initiatives that we have on Agency, be it improving the quality of recruitment, tech enablement, our training, our tie up with MDRT, we feel that we will see an accelerated pace on Agency into 2025.

Your part B of that question was seasonality. Yes, you are absolutely right. For example quarter one has a seasonality of the jump start sales in China as well as typically what we experience in quarter one is a higher percentage of bancassurance. Those seasonality will pretty much flow through quarter-on-quarter, pretty much on expected lines what you would have witnessed in 2024.

I am going to stop here and go to your OFSG question, as well as operating variances. Ben?

Ben Bulmer: Hi, Kailesh. On variances, slide 52 gives you the breakout, if you like, of that $0.3 billion you were referring to on 51. Of the $299 million, $175 million is the investment in capability. The remaining $124 million basically relates to expense overruns, that really falls into two pieces. We have got about $60 million to $70 million relating to start-up businesses, businesses that are yet to attain any scale, if you like. That is Africa, Laos, Myanmar, Cambodia, for example.

The remaining portion is also expense overrun related. But we are seeing that start to close up that gap versus our long-term assumptions. Post-COVID, now we are starting to see renewal premiums ramp up significantly. We have got 7% growth year-on-year and taking now $19 billion of renewal premiums. We have got confidence that is going in the right direction and candidly focused on what we can control.

We have done a lot of work repricing, driving underwriting profitability. We continue to invest in our capabilities to drive profit growth and operating leverage. We have got more focus on cost containment actions, but we will continue to pursue those. So confidence in operating variances getting back to our historical norms of a decade of positives pre-COVID.

In terms of your question on improving customer retention, are pleased to see the improvement there in the rate, up 1%. Broadly, 1% equates to about $100 million in VIF.

Anil Wadhwani: Thanks, Ben. If I may move on to the India Health question, Kailesh, and I am going to start and then ask Solmaz, who is closely associated both with India and Health, to offer his comments. We are delighted with the partnership with HCL Group. HCL has a great stature and great reputation in the Indian market. We believe that we can harness the synergistic value of what Prudential gets in terms of insurance expertise, but at the same time combine that with HCL's strengths, both in terms of technology as well as their healthcare business.

We are excited about the potential to serve the underserved needs of the Indian consumer. The outlay, as I mentioned in my opening comments, is going to be modest. We have ruled out the inorganic route. We are going to grow this business on an organic basis, and it is going to be obviously over a period of time. Our outlook for this business is to be a top tier player when it comes to delivering customer experiences and profitability. Customer experience is obviously to our customers and profitability to our shareholders.

I am going to stop there and see Solmaz if you have anything additional to add.

Solmaz Altin: Thank you, Anil. Look, just maybe a few points to add. We think that our investments in Health overall, through our Pru, will help us to create a right to win in the health insurance market in India as well. We know that the Indian health insurance customer experience is not great, as Anil mentioned.

This company will be digitally led and will be extremely customer focused. We think there is a few things that we can bring to the equation. Frankly, we are encouraged by our discussions in India that we can make a difference. This company will be razor sharp-focused on growing quickly to scale and make a difference in the customer experience so that we win the hearts and minds of the health insurance customers in India.

Michelle Ma (Citi): My questions are mainly on the Hong Kong business side because earlier this year, HKIA introduced a new regulatory requirement regarding benefit illustration for participating products. For example, Hong Kong dollar denominated 6.0% and then the Hong Kong dollar [Editor: foreign currency denominated] 6.5%. May I have a sense on what the general current illustrated rates are being used by Pru Hong Kong? How does this change going to affect your business? That is the first question.

Second is, there are also a lot of market talks regarding to a very high commission paid to broker channel. It is likely later this year, we may have also some cap on how much can be paid to broker channel insurance products. Maybe like 60%. If that is going to happen, what will be the impact on the business?

Anil Wadhwani: Thank you for both your questions. Let me kick it off. I am going to ask Ben to offer and supplement with his comments.

Adapting to regulatory change is simply part of doing business. We believe that both the regulatory changes that you alluded to are only going to make the Hong Kong insurance industry and sector much stronger.

In terms of impact on the benefit illustration, we believe that it will not have any impact on us. In terms of the commission to the broker channel, if you look at the composition of our

business mix, we are largely focused on Agency and bancassurance. These are channels through which we can have a better control on the customer experience that we impart to our customers.

Broker channel is roughly about 10% of our new business profit. We are engaging some quality brokers. At all times, our focus is to write high-quality business that converts to cash. you heard Ben speak to the fact that the cohort of business that we wrote in 2024 had a much better profile in terms of cash signature. It was up 36% year-on-year versus 2023.

Both these practices, in my view, will only foster for healthier competition. I think it will only make the Hong Kong insurance sector stronger. Ben, any other?

Ben Bulmer: I just add to that. Thanks, Anil. Hi#Michelle. We welcome the release of the practice note by the IA. We are ready for that effective date. I would agree that it strengthens Hong Kong's reputation as a healthy, competitive market. We are not expecting the illustration caps to have any impact on our business.

Farooq Hanif (JP Morgan): I just want to clarify on your dividend policy because there is sometimes a juxtaposition between DPS and nominal dividend I think. If you are growing your net operating free surplus generation by more than 10% and also executing buybacks, should we allow for that lower share count to add to dividend growth? Just some clarification on whether you mean DPS growth or nominal dividend growth, that would be helpful.

Secondly, when we look at that trajectory of net free surplus generation, I mean, the gross OFSG is going to grow by 19%, but with the leverage on the new business investment, clearly, the net free surplus generation could potentially grow even faster than that. I'm just kind of thinking whether you are willing to track that level of growth if indeed it comes through in how you pay dividends?

Then I guess, finally, on the health business that you have with new JV with HCL. Can you talk a little bit about what HCL brings to the party? Because obviously, I cannot think of a better market to have a health insurance business in where you are bringing new propositions to the market. But what is it that HCL is bringing in terms of its investment to growing that franchise?

Anil Wadhwani: Thank you for your questions. We are going to first start with the first question. Ben, if you want to take it. I am not sure whether you got the second question because the voice was a bit muffled. We might ask you to ask the second question again. I got your India Health question as well.

Ben, do you want to start with the first question on dividend policy?

Ben Bulmer: Yes. I think it was about the 2025 guidance. Hi Farooq. Sorry, it was a really crackly line. In terms of 2025 and you will see this in respect to 2024 as well, the guidance was targeting the dollar number. If you recall, we gave an underpin of 7% to 9%, which then equated into, if you like, a 13% DPS. For 2025, that is about the dollar number.

I am afraid your second question, I just did not hear at all but the line was really poor. Maybe I will hand over to Anil to talk about India Health.

Anil Wadhwani: Yes. Let us get to India Health and if we can get you back on the line and request you to ask the second question again. But where I started on the India Health

business was we are obviously delighted with the partnership with HCL. HCL has a level of scale and presence, great reputation in the Indian market, one of the largest tech companies.

Clearly, the first significant quality and capability that HCL gets to the table is on technology. You heard Solmaz speak to the fact that digital will be a big part of how we deliver health insurance in India.

I think the second one is HCL also owns a healthcare business, and they have significant partnerships and tie-ups with corporates in India. Again, that could be a major leverage point for us in terms of how we think about distribution and reaching customers.

Third is about customer experience. Again, given their presence in different parts of India, how we fashion and think about delivering customer experience to an Indian consumer, I think would be very beneficial in the way we craft the value proposition for our Health business.

I am going to stop there and just go back to you and request you to just ask the second question again, please.

Farooq Hanif: I hope this line is a bit clearer now. Apologies for that. I think you are suggesting it is nominal growth in dividend that is linked to net operating free surplus generation. But going back to the original question, gross OFSG to get to your target has to grow 19% CAGR. But net free surplus generation after new business considering your targets, potentially will grow even faster than that. I am just, I guess, having a reality check in my own head that if your net free surplus generation is growing at those really quite high levels, just a reality check that you would be willing to grow your dividend at those really quite decent double-digit levels to track that, given that that would be a departure from, I guess, Prudential history. That is was what I was getting at, that the fact that net free surplus generation is probably going to be an even stronger growth number than gross.

Ben Bulmer: Got you. Thanks, Farooq. We could hear the question clearly. You are right. The net number grows at a faster rate. Essentially there is a geared effect on keeping central costs flat over the period.

In terms of how to think about that, I think the best way to think about that is in terms of the existing capital framework, total returns, the importance of that to management team and building shareholder value. As I mentioned earlier, we will come back in August with our capital management plans.

Larissa van Deventer (Barclays): Two quick questions from my side, please. The first one on Singapore. The government recently announced changes in the MediShield scheme that will see premiums increasing over the next few years and then see government support decline after that. If you could please give us some insight on how you see that impacting your business, that would be helpful.

Second question. You mentioned that you will address capital distribution in detail in August. But if you could give us a sense of your preference between buybacks, special dividends and investment for growth.

Then actually, if I may, if you can give us a sense of your outlook on China that with respect to insurance momentum in the near term and also the impact of any past and potentially pending regulatory actions, please?

Anil Wadhwani: Thank you, Larissa. Let me start with the Singapore question first, and I will ask Dennis to offer his comments as well.

We have been adopting a very disciplined approach to our medical book management in Singapore, disciplined annual repricing. We, in fact, took certain new initiatives on claims based pricing, even during the COVID era, as well as we have a comprehensive hospital network strategy. I guess the important piece to note here, Larissa, is that we have been running a profitable health business in Singapore for many, many years. I guess the disciplines that we have been adopting puts us in a very strong position to be able to address the health opportunity in a profitable manner in Singapore.

Dennis, I wanted to check if there are any additional comments that you may have.

Dennis Tan: Thanks very much, Anil. In Singapore, we continue to remain a preeminent player in the Shield space and we will continue to work with the health authorities and all ecosystem partners to manage this business and specifically in terms of rising inflation costs for the medical situation. Like what Anil talked about in terms of disciplined pricing as well as coming up with our first claims based approach to the portfolio and a hospital network strategy that has been very effective for us, we continue to deploy these things to make sure that we will add value to our policyholders, at the same time, managing the expenses and the claims expense throughout this whole journey.

We note that for last year, we also continue to really be among the top two players, and in fact, now emerging as the top player in terms of coming up with new lives being insured on a periodic basis, and we will continue to invest in this business for shareholders. Thank you. Back to you, Anil.

Anil Wadhwani: Thanks, Dennis. Larissa, let me go to your shareholder return question. As you would have noticed, we are very focused on creating shareholder value and focused on total shareholder returns. As part of that, we have upped the dividend. Our dividend per share has grown by 13%. We have also accelerated our $2 billion buyback programme to end by 2025.

Additionally, on top of it, we are exploring the potential listing of our India AMC. Again, our intention is to return the net proceeds of that to our shareholders. I think the focus that we have is on total shareholder returns. As Ben mentioned in his previous comments, we will come back and update you on our capital plan at the interims.

In terms of China, I think on China, let me step back and give you a little bit of colour in terms of what is going on and the way we are thinking about our China business.

We have been on a journey ever since quarter two of 2023 to shift our product mix. The good news is that we are seeing some significant progress. Just to illustrate that through some data point, our business mix in China last year moved to par. 15% of our business mix was participating as opposed to 5% in 2023.

The important statistic is in quarter four of 2024, our participating mix business was 40%. That has continued into quarter one of this year. We believe that we will see further progress on our participating mix business in China. We are managing high quality growth. At the same time, we continue to be very prudent in terms of risk management in China.

As we transition to 2025, you can expect our China business to grow on similar lines, which is high single-digit on new business profit for 2025. I am going to stop there and check Ben or Angel, if there are any additional comments that you might have?

Ben Bulmer: Nothing from me.

Dominic O'Mahony (BNP Paribas Exane): Three from me, if that is okay. One, just on the capital dynamics. I think, Ben, in the past, you have suggested that the capital requirement would grow low double digits over the plan. From here, do you see any reason that the capital requirement on new business would grow at a different pace to new business? Is there any expectation that the capital intensity of the business getting higher or lower over the next couple of years?

Second question, just on Health pricing regulation. There was an announcement, I think in Malaysia relatively recently. Are you able to get all the Health pricing through that you wanted to? Ben, I think you mentioned that there was a bit more repricing to come. But maybe you could just comment a bit on the trajectory there.

Then third business related question. Just in Hong Kong, if one looks at the regulatory published statistics on new business, it looks like Pru's share in APE terms at least, is a bit lower now than it was pre-COVID. My guess, but it is only a guess, is that within Hong Kong the business has moved a bit more towards savings as interest rates, particularly on the dollar have gone up and that, for instance, banks are more likely to pick up that relatively low value, high volume business. Is that what is going on? Or is there something else that explains the business trajectory there?

Anil Wadhwani: Thanks, Dom. Why do not we start with Ben first on capital dynamics, and I will tee up the Health and then go to Solmaz and then I will come back to the Hong Kong one. Ben?

Ben Bulmer: Yes. Thanks, Anil. Hi Dom. In terms of capital, I continue to expect low double-digit growth going forward. That growth in required capital is mostly driven by new business written. I think that the required capital contribution from new business is around about 12% in terms of APE terms.

You saw a growth of required capital of about 12% in 2024. So no significant changes there. You want me to talk about Health repricing?

Anil Wadhwani: Let me tee up Health and then I will go to Solmaz. Dom, on Health, as you know, as part of our new strategy, we have been very focused on building health capabilities and expertise. We believe that it has put us in a strong position to be able to deal with some of the regulatory changes coming through.

In fact, we believe that we have the first-mover advantage given some of the disciplines that we have adopted more recently. But I am going to go to Solmaz for him to provide some additional colour.

Solmaz Altin: Thank you, Anil, and thanks for the question. Well, indeed, we are very delighted to have invested to build our capabilities in the Health function so that we can cope with the recently introduced cap on pricing in Malaysia very well.

Just as a reminder, we have already started the medical repricing last year. We are working with BNM. I am pleased to inform that we have agreed on a repricing schedule with BNM. Our assumptions in the plan are in line with this agreed schedule.

Also, pricing is not the only tool that we have in order to manage costs and premium increases. We have introduced co-pay products before the repricing came along. This also speaks to our preparedness vis-à-vis our competitors. We are calm and focused with dealing with the repricing cap. We are ahead of competition.

With our investments in Health according to our strategy over the last 18 months, we are very well positioned to deal with this in a very good way. Back to you, Anil.

Anil Wadhwani: Thanks, Solmaz. Let me go to the Hong Kong one. Our growth in Hong Kong, Dom, was 15% for the full year on an ex economic basis. We did see a significant pickup in the second half from a year-on-year comparative. The first half comparators were challenged because of the resurgence that we saw where we outgrew the market in 2023.

At all times, our focus has been on writing high quality business that has better cash generation. We are focused on market share of new business profit and profitability as compared to sales. Again, a good evidence of that was the improvement in margins of 7 percentage points in Hong Kong. The Health and Protection mix improved by 3%.

Even if I were to double-click on the quality piece, within the MCV segment, we have now greater than 40% of the APE market in some of the more profitable segments of critical illness and medical.

As I said, Hong Kong is our flagship business. We have invested and continue to invest in expanding our distribution, a very strong brand, very focused on product innovation. We remain highly confident of the momentum as we enter 2025 in Hong Kong.

Patrick Bowes: Thanks, Dom. It is Patrick. I will pick up. I have got one question that has come in online from Rhea at Deutsche Bank, who cannot join us, but I will take the questions that have not already been asked. There is two parts to this. The first one is, how should we think about the description more than 10% growth when thinking about the IFRS EPS and the TEV new business profit trajectory to 2027?

The second question is on leverage. The question is, your leverage appears to be, in Rhea's words, benign. How do you think about this when looking at the future. And including deploying capital, you had some indications in your capital management programme about the times that you would use leverage. Could you clarify? Those are the two questions.

Ben Bulmer: Okay. I will take those then. I mean, firstly, on leverage. Look, we target AA financial strength. We are comfortably within that. We have got capacity there, some flexibility. Clearly, we are always going to look to optimise our balance sheet longer term. I would note that our Asia peers have similar ratings. So comfortable with targeting the AA financial strength.

I think the question on IFRS on growth rate. Yes. Look, as I said in my opening comments at the top of the call, I am really pleased with compound new business profits to-date. Our CSM has grown at the upper end of the range we have given compounded at 9% since 2022.

We are confident in strong earnings growth. Clearly, the key elements of that are the release from that CSM, I would expect stable unwind. New business additions will broadly track. Obviously, you need to allow for some more normalised unwind on top of that. The risk adjustment release is more or less the same rate as the CSM release rate. We continue to expect Eastspring to grow in line with average FUM.

I think I briefly mentioned earlier our intention to very much contain central costs going forward. I hope that is helpful by way of modelling guidance.

Andrew Sinclair (Bank of America): A few for me and lots of good stuff in the pack there today. First, a couple of questions on China. No further capital injections in 2025 is a confident statement. Good to hear with lower yields. But can you tell us what is the duration gap that you have in Mainland China between assets and liabilities? Just any colour on that would be really helpful.

Second, sticking with Mainland China. I see the lower discount rate, which I guess is why new business margin went up when we move to TEV to all other regions going down. But can you tell us anything about other assumptions, things like growth assumptions. I was probably a little bit surprised to see new business margins going up in Mainland China. Just any more colour that you can give us there.

Third, just digging into that, the new business profit growth targets. I guess where we are from 2024 to 2027 is implicitly around something like 11% to 19% new business profit CAGR from 2024 to 2027. Just can you give us a little bit more context as to what would be lead you to be at the top end or bottom end of that range. What macro assumptions would tie into the top and bottom end?

Anil Wadhwani: Thanks, Andy, and thanks for those three questions. Let me start with China, and I will have Ben and Angel add any comments that they might have. I will come back to the new business profit and the way we are thinking about it. In China, as I said, we have been on a journey to change our product mix. We have been very focused on driving high quality new business, but at the same time continued focus on prudent risk management.

We do not believe that we will require a capital injection this year. But I am going to turn to Ben for him to provide you some extra colour, including addressing your duration gap and lower discount rate and NBP margin question.

Ben Bulmer: Okay. Thanks. Hi Andy. Let us start on duration and injections. I mean you are right, not expecting any further injections in 2025. The business has taken a lot of actions to improve its solvency position. We are continuing to work with the business to build greater resilience.

Just a reminder, at the Group level, we have a rolling interest rate hedge, which over the course of last year actually offset about 70% of the injections we have made into that business over the last two years. Duration-wise, liabilities are diverse. We have got protection there as well as savings and pensions.

I think as I have said before, on the savings side, about half of the liabilities are benefits, you can vary with investment outcomes. We have pivoted heavily towards par successively repriced. On the investment side of things, the business has derisked, taken on more

duration. There is the usual slide in the back of the pack on asset breakdown. But about 80% of assets are now in fixed income, a majority of that in govies and state-owned enterprises. The govies, we have got modified duration of 20 years plus.

That with the ongoing actions, and then at a Group level, the interest rate hedge helps really mitigate against rate falls. But more to do, and the business will continue to actively look to strengthen its asset liability position going forward. Yes, on China margins.

Andrew Sinclair: Are you able to give the duration gap to get the actual number.

Ben Bulmer: New business, Andy, a couple of years duration gap having pivoted. As I say, when you think about the entirety of the business, you need to think about the Group level hedge. That has been pretty effective thus far in offsetting the amounts of capital we put in.

On your margin question, on an EV basis, ex economics, we built the margins. That was through product mix shift. We have got more H&P. There were also, of course, if you recall, regulatory changes around commissions, that has helped build margin.

On a TEV basis, the China margin is 48 points. That is slightly lower year-on-year because we changed our long-term interest rate assumption down 50 basis points. I think you have seen clearly the RDR is built on that. The RDR of 8.9% we are applying is that plus effectively a 6% risk premium. We will continue to look at our assumptions as we do. But at the moment, I am comfortable there is appropriate prudence in the China RDR.

Anil Wadhwani: Andy, I am just going to ask Angel if she has any further colour to add in terms of just the quality of business and how we are approaching China going forward?

Angel Ng: Yes. Just want to add a couple of points here. Just to reiterate that we are very committed to shift from guaranteed interest to par savings product to manage the ALM as well as the capital challenges, given China interest rate environment continued to stay lower. Enhanced pension as well as protection products will help us to protect margin as well as to help cash generation. We are very committed on these product strategies .

On the other hand, I also want to pick up Ben's point that banca created very strong NBP ex economics pickup of 28% behind a very strong margin pickup of 19 points to 61%. That helps in our margin improvement as well.

Lastly, in terms of our duration, just to mention one point is more than half of our in-force book in China has variable liability cost. Together with the change of the mix of the new business will help to improve the risk profile of the business.

Anil Wadhwani: Thanks, Angel. Andy, going to your last question on new business profit. Again, the way I am thinking about our progress is 2023 was a year of reset, 2024, progress on transformation. As we go through 2025, we will attain a level of maturity on the progress leading to acceleration.

We have given guidance on not only new business profit, but some of the other metrics as well, including operating profit per share, OFSG as well as dividend per share. We believe that we will see an acceleration as we go through 2025 into 2026 on account of the maturity of our programme.

The reason I feel confident is because we are looking at it from a lens of three things. One, managing the quality of our new business. Again, it has come through at different times in

the conversation, focusing on quality that converts to cash. Again, 36% improvement in terms of the new business cohort that we wrote in terms of cash generation versus the new business cohort that we wrote in 2023.

Managing in-force. Again, we have taken a number of steps, repricing of both savings and medical products, introducing new innovative products like the claim-based pricing, the progress that we have made on Net Promoter Score. All our top 10 markets are in now the upper two quartiles with five markets being in the upper quartile. Again, that has significant implications in terms of retention as well as cross-sell rates and repeat sales to our customers.

Last but not the least, Ben spoke to reducing variances. Again, as we think about building our operations and technology platform, we believe that we have opportunity to drive further efficiency on our business volume. We are not managing the business to the lower end of the guidance. We have capital flexibility to drive our business on an organic basis. Again, very confident with the momentum that we established for ourselves.

Andrew Crean (Autonomous Research): Three questions, if I can. Firstly, the capital management discussion you are going to have in August. Can I just be clear on that? I mean you have laid out a capital framework, but not a capital policy in terms of distribution. I know AIA has laid out a 75% payout of net OFSG there. Is that what you are going to address in August?

Second question. On your new traditional embedded value basis, I see that for the in-force, you grade from the current spot rates up to your long-term rates over time. But for your new business profits, you actually assume the long-term rate immediately, something I think AIA does not do. Could you tell us what your traditional embedded value in new business profit would be if you use a graded approach rather than assume the long-term rates immediately?

Then thirdly, back to slide 51. I am just looking at the return on free surplus and the asset management profits outlook for 2027. Because if you continue to do buybacks, your cash will go down, and therefore, the net return on free surplus could go down. If you sell the ICICI Indian business, that represents about half your Eastspring profits. Should we be looking for lower contributions from those two elements rather than higher contributions as you put in the slide?

Anil Wadhwani: Thanks, Andrew. I am going to go to Ben on the capital and the TEV question. But let me start with your question on IAMC. You are right that the IAMC potential divestment would have an impact on free surplus, but it is manageable. We are not, as a consequence of that, changing our guidance for free surplus generation between 2022 to 2027, which is something that Ben alluded to as well. We believe that it is fully manageable given the trajectory that we have set for ourselves.

I am going to go to Ben on the capital framework and the TEV question.

Ben Bulmer: Hi Andrew. On TEV, in terms of grading, we trend to long-term assumptions over a 10 to 15-year period. There is essentially a three-year half-life that gets applied. I think the other point I would note is that on an average weighted long-term interest rate assumption, they are about 40 bps below current rates. You can see that in the disclosures. There is some overs and unders in that regard.

I think when we think of monetisation, if you like, and as you well know, when we move to TEV, of course, the cash flows remain the cash flows but the fund earned rate or assumed fund earn rate changes slightly for the move to long-term rates.

But if you compare both of those monetisations with one another, applying the slightly different FERs, they are within 2.7%, I think, 2% to 3%, so broadly comparable.

On capital management, I do not really want to front run that discussion. We will come back and tell you in August.

Nasib Ahmed (UBS): I think, Anil, you answered Andrew's question on asset management, that is manageable. But on the free surplus, maybe I missed that with the buybacks, if you can clarify that. But my two questions are on basically slide 17 on the strategic pillars. If you look at Agency number of productive agents, active agents, 65,000, you are targeting 80,000 to 90,000, and you are saying you are going to accelerate that. How are you going to do that? Is that going to be organic training agents or getting them more productive? Or are you going to get some agents from competitors onto your books?

Then on the NPS score, if I look at the trajectory over the last couple of years, you are improving NPS score in geographies, getting the top quartile in one geography every year. You still got a lot to go on to get to the 10 for 2027. If you use the run rate over the last couple of years, you do not get there. Any colour on how you are going to get to the 10 geographies in top quartile as well.

Anil Wadhwani: Thanks, Nasib. I think the AMC point, let me start with that first. As I mentioned, yes, the potential divestment would have an impact on free surplus, but it is manageable, and it does not change our free surplus target. I simply wanted to reiterate that.

On Agency, let me start, and I will go to Solmaz for providing additional colour. As I said, agency continues to be the number one priority for us. We were happy to see the momentum that we established 67,000 active agents in the second half of 2024 versus 63,000 in the first half. The first half of 2024 was going to be challenging because of the comparatives that we had with the 2023 resurgence, specifically in Hong Kong.

The real question is, what are we doing to drive the active agent. There are three things that I want to leave with you. One is our focus on high quality agents. Again, our new recruits was up 9%. We have a strategic recruitment programme which is PRUVenture. Again, if you look at the sales growth of PRUVenture agents, they grew by 34% year-on-year as compared to the 7% sales growth that we saw at an overall company level. Again, a key focus area for us.

Second is our partnership with MDRT, creating bespoke training programmes and bespoke recognition programmes to drive both activity as well as create a level of inspiration with our agents to become a part of the MDRT Club.

Lastly is our enterprise-wide tech enablement. Again, we were pleased to see the new business profit per active agent grow by 5%.

Solmaz, any additional colour that you would like to add?

Solmaz Altin: Thank you, Anil. Maybe just one point. We are continuing to be focused, as Anil mentioned, the core points on organic growth of our productive agency base. That is our primary focus. We are going to be very disciplined about any inorganic opportunities. We will

be very focused on growing our profitability of our channels. We are going to be very focused on organic, therefore. If opportunities arise, we would assess them based on this framework.

Just one more data point. In Hong Kong, for example, we had our number of active agents grow up by 15% in 2024, which was great, and we are looking to continue this in other countries as well. Back to you, Anil.

Anil Wadhwani: Thanks, Solmaz. Nasib, let me go to your Net Promoter Score question. Happy with the progress, five markets in top quartile versus four in 2023 and three in 2022. But also note that we are only 18 months since we started the execution of our strategy. We believe that on account of the maturity that we are likely to witness as we go through 2025 on the efforts that we are making in our technology infrastructure in focusing on both customer and agent experience, because agent experience is one of the biggest drivers of customer experience. We believe that we will get to the Net Promoter Score target that we have for our top 10 markets.

Again, just to reiterate, all our 10 markets are now in top two quartiles. We have not only seen progress in one market going to top quartile, but we have seen a range of outcomes and positive movement across our markets in Net Promoter Score. So feel very confident about the progress that we are making.

Abid Hussain (Panmure Liberum): I have got two or three questions, if I can. I will be quick given the time. The first one is on the IRRs. Great to see that the improvement there of the IRRs coming in above 25% on the new business that you are adding at the moment. Just wanted to dimension that how does that compare with what you have been adding over the last two, three years? Do you want to get this back above 30%? I recall in the past, pre-COVID times, the number was above 30%. The trajectory on that, please?

What is the main two, three themes driving the improvement? Is it the repricing that you called out and the cost containment? If it is mainly the repricing that is driving that, can the Pru brands still command a premium on pricing for customers? Or is there some repercussion on the flip side on retention levels? That is the first question. Apologies, it is slightly long.

The second one is coming back to the OFSG. What has left to do to contain those negative variances? I appreciate they are coming down. Is it now a case that the actions that you have taken will just come through, will earn through. Again, the pricing and the cost containment actions that you have already taken, will that transpire to positive variance over the next couple of years? It feels like most of the actions you need to take have been taken. But just any additional colour around the edges on that, please?

Then the final one is on capital allocation. It is interesting to see you call out the potential listing and partial divestment in the Indian asset management JV. Would you like to call out any other businesses where you think you might crystallise value?

Anil Wadhwani: Thanks, Abid. We will try and address them in the sequence that you asked. We are going to go to the IRR one first, so I will go to Ben. Then on the repricing and cost containment, which specifically impacts our Health business, I will go to Solmaz. Then we will take the last two questions. Ben, do you want to start with the first one?

Ben Bulmer: Yes. Thanks, Anil. Hi Abid. In terms of IRRs, actually, we have seen a decent improvement year-on-year. If you look at our monetisation, you can basically solve back to an IRR using a PCR of 100% in the 40s. It is pretty good.

What I have quoted you in excess of 25 is allowing for the free surplus ratio operating range. Pleased with the impacts. The repricing, yes, I think it is sustainable. We continue to have very strong persistency, so pleased with that. No concerns from that perspective.

Actions on OFSG and improving negative variances. There is more to come in terms of cost containment, driving scalability, efficiency, operating leverage. Stepping back, when we think about our investment in capabilities, ultimately, we are driving an acceleration in cash flows and looking to drive that operating leverage that comes with that. There is plenty more to come on that front.

Anil Wadhwani: Thanks, Ben. I am going to go to Solmaz on the repricing and the cost containment. Solmaz?

Solmaz Altin: Thanks, Anil. The question on whether we can continue to command premium pricing, especially when it comes to Health. Well, first of all, it is important to note that we are as a payer in the context of health insurance on the side of our customers. Our NPS signals that we have the trust of the customers and our brand is supporting that.

The brand perception of our customers in all of our markets, especially in Health, but then also in India is helping us to, of course, have repricing actions without creating distrust with our customers. Yes, we have to reinforce that point. We have to work on this every single day, but this is one of our promises of our brand, and we are very keen to protect that.

Anil Wadhwani: Thank you, Solmaz. Abid, to your last question on whether there are any other businesses? The short answer is no. The focus, as I said, continues to remain on total shareholder value, and that is going to be front and centre for the management team as we go through 2025 and beyond.

Thomas Wang (Goldman Sachs): A couple of questions. I will be quick. Firstly, just to clarify, I think you mentioned the negative variance attributed a lot to expense overrun in Africa and also in other places. Can you just clarify, so there is not much negative variances related to medical products anymore? Is that already turning into maybe a flat or positive territory?

The second thing, just on the OFSG from new business contribution. It is good to see that new business contribution (Editor: investment in new business) in the first few years actually growing faster than NBP. Can I just check or any more colour you have in terms of what type of products or which market that is helping to drive that kind of improved capital efficiency for new business portfolio?

Anil Wadhwani: Thanks, Thomas. I will go to Ben. I guess the short answer on variances is you are right. But I will have Ben provide some additional colour, and then we will wind it out with the OFSG question.

Ben Bulmer: Yes. Thanks. Hi Thomas. Yes, it is not about medical variances. It is about expenses, hence my comments on continued focus on cost containment. Stepping back in terms of the med book, we have a very healthy long-term view of the profitability of that

business across our markets, and we will continue to actively manage that business that Solmaz has talked to.

New business contribution and ways to continue to improve that. I mean, very much aligned with our strategy, and that is increasing the amount of Agency sales within the business mix. You will have seen from one of my slides that Agency typically has a much higher Health and Protection contribution within the mix, and that has a much stronger PVNBP margin than savings products.

More broadly, we will continue to focus on Health and Protection and drive that within the banca channels. I do, as I mentioned earlier, have some repricing tailwinds that will continue to help in terms of new business additions to 2027 OFSG.

I think, finally, in terms of country mix shifts, there is potential there for an even stronger signature as we look forward. Again, to reiterate, confident in 2027 objective.

Patrick Bowes: Thanks, Ben. Let me pass to Anil for some closing remarks. Obviously, you can contact the IR team if we can help you with any further questions. Over to you, Anil.

Anil Wadhwani: Thank you, Patrick, and thank you, everyone, for the questions. Ben and I will get on the road. We are looking forward to seeing many of you in person, and we can carry on the conversation from there. We will be providing a first quarter business performance update on 30th April and an update on our capital management plan with our interim results in August.

Once again, thank you very much for your questions, and have a good rest of the day. Thank you.

Ben Bulmer: Cheers.

Patrick Bowes: Thanks very much.

[END OF TRANSCRIPT]